

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /161 W

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R 161715Z MAY 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 5483

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN SALVADOR 1970

E.O. 11652 GDS

TAGS: PFOR, ECON; XK

SUBJ: SALVADORAN VIEW HIGH LEVEL COMMITTEE

REF: A. TEGUCIGALPA 1998, B. SAN SALVADOR 1218

GUATEMALA ALSO FOR ROCAP

FOR LAZAR FROM TRAGEN

1. PURSUANT YOUR TELCON WITH PARKER ON MAY 14, PARAS 4 AND 5 OF
REFTEL (AL REFLECT ESSENCE GOES POSITION "ON TRANSITORY CACM
SYSTEM" AS ALREADY ANALYZED EMBASSY SAN SALVADOR IN REFTL (B)
AND BY ROCAP IN ITS REPORTING ON LAST MEETING OF HLC. GOES RE-
AFFIRMED THIS POSITION AT MAY 14-15 MEETINGS OF NATIONAL
ECONOMIC COMMITTEE CHAIRED BY PRES MOLINA AND SENT
SALVADORAN REP TO HLC BUITRAGO ON MAY 15 TO SAN
JOSE AND TEGUCIGALPA WITH SPECIFIC PROPOSALS TO BE PRESENDED
BY PRES MOLINA AT MAY 29 MEETING OF CA PRESIDENTS FOR
"NORMALIZING CACM OPERATIONS" UNDER GENERAL TREATY THROUGH
IMMEDIATE REACTIVATION OF ECONOMIC COUNCIL AND EXECUTIVE
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COUNCIL TO RESOLVE BACKLOG OF PRESSING ECONOMIC AND TRADE

PROBLEMS. MINECON AND BUITRAGO ALLUDED TO "MODUS OPERENDI" PROPOSED IN 1970 AND VETOED BY GOES AS BASIS NOW ACCEPTABLE TO GOES FOR ACHIEVING THIS "NORMALIZATION".

2. GOES POSITION IS BASED ON "LEGAL FRAMEWORK" GOVERNING CACM MEMBERS UNDER GENERAL TREATY WHICH GOES HOLDS IS STILL BINDING ON ALL SIGNATORIES SINCE GOH DECREE 97 WAS NOT ACTION CONSISTENT WITH HONDURAS OBLIGATIONS UNDER TREATY. GOES CONSIDERS BILATERAL AGREEMENTS BY NICARAGUA, CR AND GUATEMALA WITH HONDURAS TO BE VIOLATIONS OF GENERAL TREATY: AND ITS INSISTENCE ONM RETURN TO "NORMALIZATION" IS AS MUCH DIRECTED AT OTHER THREE CACM PARTNERS AS AT HONDURAS. IF HONDURAS STANDS ON DECREE 97, THAN SALVADOR IS PREPARED TO PRESS OTHER THREE PARTNERS TO "NORMALIZE A FOUR COUNTRY MARKET NOW" WITH ITS POLICY AND EXECUTIVE ORGANS FUNCTIONING WHILE HLC WITH GOH PARTICIPATION, IF GOH SO DISIRES, CARRIES FORWARD WORK TO RESTRUCTURE CACM. GOES SUBSTANTIALLY AGREES WITH GOH POSITION SET FORTH IN REFTL (A) PARAS 2 AND 3, BUT INSISTS PROBLEMS FACING CACM PATRNS NOW REQUIRED IMMEDIATE ACTION TO "NORMALIZE MARKET OPERATIONS" --WITH OR WITHOUT HONDURAN PARTICIPATION.

3. BUITRAGO TOLD ME ON MAY 13 THAT GOES WAS UNCONVINCED OF NEED POSTPONE HLC MEETING PENDING MAY 29 MEETING OF PRESIDENTS, AND INTERPRETED IT AS ANOTHER GOH DELAYING TACTIC. LATER MINECON ON MAY 15 REPORTED PRES MOLINA DECIDED TAKE ADVANTAGE POSTPONEMENT TO RAISE ISSUE TO RESIDENTIAL LEVEL AND INSTRUCTED BUITRAGO (AND HIS TWO TOP ASSISTANTS) CORDERO AND PINEDA) WORK OUT FRAMEWORK FOR PRESIDENTIAL DISCUSSION WITH CR VICE PRESIDENT CASTILLO AND GOH MINECON BENNATON. MINECON FURTHER REPORTED THAT GOES HOPEFUL MEETING OF PRESIDENTS CAN AGREE ON IMMEDIATE STEPS TO NORMALIZE CACM OF 5 COUNTRIES BUT NOW PREPARED TO PRESS IN HLC, SIECA, CABEI AND OTHER CACM ORGANS FOR A MARKET OF 4 IF GOH UNWILLING PARTICIPATE UNDER GENERAL TREATY.

4. COMMENT: SAN SALVADOR'S POSITION APPEARS TO RESULT FROM PRESIDENT'S DECISION. IT IS PART OF THE OVERALL GOES STRATEGY TO PRESSURE ITS CACM PARTNERS TO HELP BREAK CURRENT CA POLITICAL IMPASSE. SALVADORAN OFFICIALS ALL TAKING A STRONG LINE WHICH CONCLUDES WITH: UNLESS HONDURAS RETURNS TO ALL CACM FORUMS
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(INCLUDING THE COUNCILS AND PRESUMABLY DEROGATING DECREE 97), THE GOH BY ITS ALOOFNESS DENES ITSELF ACCESS TO THOSE LIKE CABEI AND SIECA WHICH IT NEEDS FOR IMPLEMENTING DEVELOPMENT PLANS AND FORMULATING ECONOMIC POLICINDUK MOREOVER, GOES OFFICIALS REPEATEDLY REFER TO THE SERIOUS TO CRITICAL ECONOMIC PROBLEMS NOW FACING SALVADOR (SAGGING RESERVES, UNEMPLOYMENT, INFLATION, DECLINING FAVORABLE BALANCE IN CACM TRADE--LATTER CONFLICTS WITH GOES DATA) AND ITS NEED FOR NORMALIZED CACM

MACHINERY TO FACILITATE JOINT CA ACTION UNDER GENERAL TREATY TO DEAL WITH THESE PROBLEMS. WHAT FLEXIBILITY EXISTS FOR MEETING THE HONDURANS PART WAY IS NOT AT ALL CLEAR, BUT THE FACT THAT BUITRAGO WAS SENT TO SEE CR VICE PRESIDENT CASTILLO AND HONDURAN MIECON BENNATON INDICATES GOES PREPARED CONSIDER SOME VARIATIONS ON THE MAIN THEME.

5. IT SHOULD BE NOTED THAT IN THESE CONVERSATIONS THE BORDER QUESTION WAS NOT RAISED BY THE GOES OFFICIALS OR BY ME. WHAT POSITION THE GOES IS DEVELOPING ON THIS ISSUE DID NOT SURFACE IN THESE DISCUSSIONS.

6. REQUEST EMBASSY SAN JOSE AND EMBASSY TEGUCIGALPA REPORT ON HOST GOVT REACTIONS TO BUITRAGO MISSION AND IMPLICATIONS FOR MAY 29 MEETING OF PRESIDENTS.

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